

Before the
FEDERAL COMMUNICATION COMMISSION
Washington, D.C. 20554

In the Matter of)	
)	
Petition of AT&T Inc. For Forbearance Under 47 U.S.C.)	
§ 160 From Enforcement Of Certain of the)	WC Docket No. 07-21
Commission's Cost Assignment Rules)	
)	
Petition of Verizon For Forbearance Under 47 U.S.C.)	
§ 160(c) from Enforcement of Certain of the)	
Commission's Recordkeeping and Reporting)	WC Docket No. 07-273
Requirements)	
)	
Petition of Qwest Corporation for Forbearance from)	
Enforcement of the Commission's ARMIS and 492A)	WC Docket No. 07-204
Reporting Requirements Pursuant to 47 U.S.C. § 160)	

Reply to Opposition of Joint Applicants' Application for Review

The AdHoc Telecommunications Users Committee and COMPTEL ("Joint Applicants"), pursuant to section 1.115(d) of the Commission's Rules, hereby reply to oppositions to Joint Applicants' January 30, 2009 Application for Review of Action Taken Pursuant to Delegated Authority ("AFR") in the above-captioned dockets.¹

The AFR urged the Commission to vacate the Wireline Competition Bureau's ("WCB") approval of cost assignment plans submitted by the BOCs and then to reverse the WCB's decision or to remand the matter to the WCB. Joint Applicants first explained that the WCB's decision was inconsistent with the requirement that administrative agency decisions be supported with reasoned explanations. Next, Joint Applicants explained that the BOCs' cost assignment compliance plans do not satisfy the requirements of the *Cost Assignment Forbearance Orders*.²

¹ AT&T, Qwest and Verizon (collectively hereinafter the "BOCs") filed oppositions to the AFR.

² See, *Petition of AT&T Inc. for Forbearance under 47 U.S.C. § 160 from Enforcement of Certain of the Commission's Cost Assignment Rules*, WC Docket Nos. 07-21, 05-342, 23 FCC Rcd 7302 (2008) (*AT&T Cost Assignment Forbearance Order*), *pet. for recon. pending, pet. for review pending*, *NASUCA v. FCC*, Case No. 08-1226 (D.C. Cir. filed June 23, 2008); *Service Quality, Customer Satisfaction, Infrastructure and Operating Data Gathering*, WC Docket Nos. 08-190, 07-139, 07-204, 07-273, 07-21,

I. BOCs' Arguments Notwithstanding, The WCB Was Required To Explain Its Reasons For Approving The Cost Assignment Compliance Plans.

The BOCs do not argue that the WCB provided a reasoned explanation for its decision to approve their cost assignment compliance plans. Instead, they assert that the WCB was not required to provide an explanation.

As Joint Applicants pointed out, the Commission has acknowledged that subordinate parts of the agency operating pursuant to delegated authority must provide reasoned explanations for their actions.³ The BOCs fail to provide an argument for distinguishing or overturning that Commission precedent.

Verizon contends that the WCB's approval of the compliance plans was a mere ministerial act, requiring no explanation.⁴ The cases cited by Verizon to support this contention do not, however, support Verizon's position. In one case, *aaiPharma Inc. v. Thompson*, 296 F.3d 227 (4th Cir. 2002), the court held that the FDA's role with respect to patent listings in the "Orange Book" is completely passive and ministerial. In *United States v. Sobkowicz*, 1993 U.S. App. LEXIS 11196 (9th Cir. 1993), the court concluded that the Treasurer of the United States was not obligated to initiate a notice and a comment rulemaking before certifying the interest rates used in calculating penalties owed to the government because the Treasurer merely certified the interest rate set by the Federal Reserve Board. Finally, in *United States v. Thompson*, 687 F.2d 1279 (10th Cir. 1982), the court held that the timing and placement of prohibition signs on the fence of a nuclear facility was nothing more than the execution of an existing regulation and that a hearing was not required before the posting.

In all of the cases cited by Verizon, the challenged actions did not involve substantive judgments. In evaluating BOC's compliance plans and objections thereto, the WCB role was to weigh competing arguments and *make a determination* as to whether or not the plans met the requirements for the plans

23 FCC Rcd 13647 (2008) (*Verizon/Qwest Cost Assignment Forbearance Order*), *pet. for recon. pending, pet. for review pending, NASUCA v. FCC*, Case No. 08-1353 (D.C. Cir. filed Nov. 4, 2008) (collectively, the "Cost Assignment Forbearance Orders").

³ See, Joint Applicants' AFR, at 5-6.

⁴ Verizon, Opposition at 6-9.

established by *Cost Assignment Forbearance Orders*. Its role was far more than ministerial. The WCB engaged in substantive decision making for which a reasoned explanation is required.

The BOCs also argue that the WCB was not obligated to provide an explanation for its approval of the compliance plans because the Bureau's evaluation of the plans was an informal adjudication, not a rulemaking.⁵ Apparently, the BOCs contend that *no* explanations for agency actions are needed in informal adjudications.

None of the BOCs, however, support their contentions with an examination of the Administrative Procedure Act's ("APA") definitions of "rule" and "rulemaking."⁶ Given the APA's definitions of rule and rulemaking, (see note 6 *infra*), it is quite apparent that the WCB's review of the BOC's compliance plans fits the definition of a rulemaking to which the requirement for reasoned decision making clearly applies, even when the action is taken pursuant to delegated authority. As explained in the AFR, the WCB's public notice fails to meet that requirement.

Assuming *arguendo* that the WCB was engaged in an informal adjudication, as the BOCs contend,⁷ it still was required to explain the reasons that led it to approve the BOCs' compliance plans. Although informal adjudications require less in the way of procedural protections than a formal adjudication, administrative agencies still must provide explanations for their decisions in informal adjudications. None of the cases cited by the BOCs are to the contrary. Indeed, without an explanation of the reasons supporting a decision in an informal adjudication, courts could not engage in the judicial review intended in section 706 of the APA.⁸ The

⁵ AT&T, Opposition at 7-9; Qwest, Opposition at 11-12; Verizon, Opposition at 9-12.

⁶ Section 551.4 of the APA defines "rule" as, "[t]he whole or a part of an agency statement of general or particular applicability and future effect designed to implement, interpret, or prescribe law or policy ... and includes the approval or prescription for the future of ... prices, facilities, appliances, services or allowances therefore or of valuations, *costs, or accounting or practices bearing on any of the foregoing.*" *Emphasis added.* Section 551.5 of the APA, of course, defines "rule making" as the agency process for formulating, amending or repealing a rule.

⁷ Note 4, *supra*.

⁸ 5 U.S.C. §706 provides, *inter alia*, that reviewing courts shall hold unlawful agency decisions found to be arbitrary and capricious. Although the substantial evidence requirement does not apply to informal

Supreme Court has reconciled sections 555 and 706 of the APA by holding that section 706 mandates an explanation that would allow the courts to review the agency's rationale at the time of decision.⁹

Evaluation of the BOCs' cost assignment plans was a consequential substantive matter, not a ministerial matter, for which the WCB should have provided a reasoned explanation.

II. The BOCs' Plans Clearly Did Not Satisfy the Requirements Established in the *Cost Assignment Forbearance Orders*.

Contrary to BOC assertions, the AFR does not rehash oppositions to, or collaterally attack the *Cost Assignment Forbearance Orders*.¹⁰ Instead, the AFR identified material deficiencies in the BOCs' compliance plans.¹¹ Notably, Joint Applicants pointed to the unchecked discretion and incentive that the BOCs would have to re-specify allocation ratios and design special studies to allocate costs to serve their corporate objectives. The BOCs counter by arguing that they are constrained by GAAP, Sarbanes Oxley and the USOA. Those constraints, however, are insufficient for Commission purposes because they do not control the allocation of total company costs between regulated and unregulated services and among regulated services. The BOCs also argue that their compliance plans need only describe generally a *process* that they would use to produce cost and revenue data. Given its conclusion that it has continuing regulatory responsibilities because the BOCs possess exclusionary market power, the Commission must have envisioned something more substantive. There would have been no reason for the Commission to require descriptions of transition plans if all that it wanted were statements from the BOCs that they would provide cost and revenue data developed pursuant to unspecified methodologies when the Commission asked for the data. Indeed, the Commission charged the BOCs with explaining how they would replace the cost assignment rules with new assignment procedures.¹² The Commission must have intended that the BOCs at least describe the methodologies and principals that

adjudications, (Contrary to Qwest's mischaracterization at page 10 of its Opposition, Joint Applicants never claimed that it applied in this case), an explanation of the reasons for the decision is required.

⁹ *PBGC v. LTV Corp.*, 496 U.S. 633, 654 (1990).

¹⁰ *Cf.*, AT&T, Opposition, at 6; Qwest, Opposition at 3.

¹¹ Joint Applicants do repeat those deficiencies in this pleading.

¹² *AT&T Cost Assignment Forbearance Order*, ¶31.

they would use to allocate costs and revenues. The BOCs did not, however, offer such explanations, nor explain the transition to the new allocation procedures. Accordingly, the WCB could not know that the BOCs' compliance plans will preserve the integrity and reliability of the data, and should not have approved the plans.¹³

The BOCs also fail to explain how officers of their corporations can truthfully certify that their companies are in compliance with section 254(k) of the Communications Act of 1934, as amended. Without knowing how costs and revenues are allocated and whether the allocation methodology is acceptable to the Commission, the 254(k) certification is a farce.

The Commission intended more, and needs more, than the BOCs have offered in their empty compliance plans. The WCB should have rejected the BOCs' compliance plans for being inconsistent with the requirements of the *Cost Assignment Forbearance Orders*. Nothing in the BOCs' oppositions to the AFR cures the deficiencies in their plans or rehabilitates the WCB's approval of those plans.

III. Conclusion

In view of the foregoing, Joint Applicants again urge the Commission to vacate the WCB's decision approving the BOCs' cost assignment compliance plans, and to then reverse or remand the matter to the WCB.

Respectfully submitted,



James S. Blaszak
Levine, Blaszak, Block & Boothby, LLP
2001 L Street, NW
Suite 900
Washington, D.C. 20036
Counsel for AdHoc telecommunications Users
Committee

Karen Reidy
COMPTEL
900 17th Street, NW
Suite 400
Washington, D.C. 20006

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¹³ *AT&T Cost Assignment Forbearance Order*, ¶21.

Certificate of Service

I, Dorothy Nederman, hereby certify that true and correct copies of the preceding Reply Comments of AdHoc Telecommunications Users Committee were filed this 23rd day of February, 2009 via the FCC's ECFS system and by first-class mail to:

Christopher M. Heimann
Gary L. Phillips
Paul K. Mancini
AT&T Inc.
1120 20th Street, N.W.
Washington, D.C. 20036
(202) 457-3058 – Telephone

David C. Bartlett
Jeffrey S. Lanning
John E. Benedict
701 Pennsylvania Ave., NW, Suite 820
Washington, DC 20004
(202) 393-1516

Counsel for Embarq, Frontier, & Windstream

Ronald K. Chen
Stefanie A. Brand, Esq.
Christopher J. White
Department of the Public Advocate
Division of New Jersey Rate Counsel
31 Clinton Street, 11th Floor
P.O. Box 46005
Newark, NJ 07101

Michael E. Glover
Edward Shakin
Christopher M. Miller
VERIZON
1515 North Courthouse Road
Suite 500
Arlington, VA 22201-2909
(703) 351-3071

John T. Scott III
William D. Wallace
Ann Berkowitz
VERIZON WIRELESS
1300 I Street, NW
Suite 400W
Washington, DC 20005
(202) 589-3760

Thomas J. Navin
Marla A. Hackett
Bennett L. Ross
WILEY REIN LLP
1776 K Street, N.W.
Washington, DC 20006
(202) 719-7000

*Attorneys for Verizon and
Verizon Wireless*

Patricia Cooper
President
Satellite Industry Association
1730 M Street, NW Suite 600
Washington, DC 20036
Tel. (202) 349-3650

Susan J. Bahr
Law Offices of Susan Bahr, PC
P.O. Box 2804
Montgomery Village, MD 20886-2804
Phone: (301) 926-4930

Counsel for Rural Vermont ITCs
Counsel for the Rural Nebraska Local Exchange Carriers

Stephen J. Baruch
Keith Apple
Leventhal Senter & Lerman PLLC
2000 K Street, NW, Suite 600
Washington, DC 20006-1809
Tel. (202) 429-8970

Attorneys for Hughes Network Services, LLC

Anna M. Gomez
Vice President, Government Affairs
Marybeth M. Banks
Director, Government Affairs
Sprint Nextel Corporation
2001 Edmund Halley Drive
Reston, VA 20191
(703) 592-5111

James W. Olson
Indra S. Chalk
607 14th Street, N.W.
Suite 400
Washington, D.C. 20005

Attorneys for the United State Telecom Association

Craig J. Brown
Timothy M. Boucher
QWEST CORPORATION
Suite 950
607 14th Street, N.W.
Washington, DC 20005
(303) 383-6608

David C. Bergmann
Assistant Consumers' Counsel
Chair
NASUCA Telecommunications
Committee
Office of the Ohio Consumers' Counsel
10 West Broad Street, Suite 1800
Columbus, OH 43215-3485
Phone (614) 466-8574

Thomas Jones
Jonathan Lechter
Willkie Farr & Gallagher LLP
1875 K Street, N.W.
Washington, D.C. 20006
(202) 303-1000

Attorneys for tw telecom Inc. and One Communications Corp.

Sharon E. Gillett, Commissioner
Geoffrey G. Why
*Massachusetts Department of
Telecommunications and Cable*
Two South Station, 4th Floor
Boston, MA 02110

The Honorable Mark K. Johnson
State Chairman, *Federal State Joint Board on
Separations*
Commissioner, Regulatory Commission of
Alaska
1016 West 6th Ave., Suite 400
Anchorage, Alaska 99501

The Honorable John D. Burke
Commissioner, *Federal State Joint Board on
Separations*
Vermont Public Service Board
112 State Street, Drawer 20
Montpelier, Vermont 05620-2701

The Honorable Steve Kolbeck
Commissioner, *Federal State Joint Board on
Separations*
South Dakota Public Utilities Commission
State Capitol
500 East Capitol Avenue
Pierre, SD 57501-5070

The Honorable Anthony Palermino
Commissioner, *Federal State Joint Board on
Separations*
Connecticut Department of Public Utility Control
10 Franklin Square
New Britain, CT 06051

Sandra J. Paske
Secretary to the Commission
Public Service Commission of Wisconsin
610 N Whitney Way
PO Box 7854
Madison, WI 53707 -7854

Peter McGowan
Acting General Counsel
*Department of Public Service
State of New York*
Three Empire State Plaza
Albany, NY 12223-1350

Joshua Seidemann
Vice President, Regulatory Affairs
*Independent Telephone & Telecommunications
Alliance*
975 F Street, NW
Suite 550
Washington, DC 20004

Jonathan Banks
David Cohen
UNITED STATES TELECOM ASSOCIATION
607 14th Street, NW, Suite 400
Washington, D.C. 20005

Joel Shifman
State of Maine Public Utilities Commission
242 State Street
18 State House Station
Augusta, ME 04333-0018

Mike Gleason
Chairman
Arizona Corporation Commission
1200 W. Washington
Phoenix, AZ 85007

Edward A. Yorkgitis, Jr.
Brad Mutschelknaus
Kelley Drye & Warren LLP,
3050 K Street, NW
Suite 400
Washington, DC 20007

*Counsel for Covad Communications Company,
NuVox Communications,
Inc., and XO Communications LLC*

Randolph Wu
Helen M. Mickiewicz
Natalie D. Wales
Attorneys for the
Public Utilities Commission
California Public Utilities Commission
505 Van Ness Ave.
San Francisco, CA 94102
Phone: (415) 355-5490

Chairman Eddie Roberson
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, Tennessee 37243-0505
(615) 741-2904

Commissioner Phil Jones
*Washington Utilities and Transportation
Commission*
1300 S. Evergreen Park Drive
P.O. Box 47250
Olympia, WA 98504 -7250

Katherine H. Farrell
Assistant Public Counsel
State Bar No. 24032396
1701 N. Congress Avenue, Suite 9-180
P.O. Box 12397
Austin, Texas 78711-2397
512/936-7500

*Attorney for the Texas Office of Public Utility
Counsel*



Dorothy Nederman
Legal Assistant